GRADED ACCOUNTING PROBLEMS

NEW YORK UNIVERSITY
SCHOOL OF COMMERCE,
ACCOUNTS AND FINANCE

Graded Accounting Problems

Compiled, Arranged and Classified

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PART I.

Problems in Practical Accounting

Problem 1

McDonald and Smith form a co-partnership January 2, 1899, each investing $7,500.00. March 1, Smith makes an additional investment of $3,400.00, and McDonald withdraws $1,200.00. July 1, McDonald invests $2,500.00 and Smith withdraws $2,500.00. The profits for the year are $4,800.00. Show each partners average investment and share of profits, the profits being divided in proportion of the capital invested and the time it is employed.

Problem 2

John Doe expends $100,000.00 in the erection of a business block. At the end of the year he finds that the rents of the stores in the block have amounted to $7,500.00 and of the offices, $3,750.00. The expenses of the year have been: Janitor and caretaker $750.00; repairs and alterations to suit tenants $500.00; water and gas $400.00; taxes $0.01975 on a valuation of $87,000.00; various incidentals $150.00. Make up a statement showing the result of the year's enterprise and per cent. of profit on investment after charging 5% interest on the capital invested and $2,500.00 for depreciation.

Problem 3

A B., a trader, whose books have been kept by single entry requests you to install a double entry system. The ledger contains the following accounts.

Expense, $900.00; A B's., drawings, $3,000.00; customers' accounts, $15,000.00; creditors, $4,000.00; upon inquiry you find A B., has cash, $4,000.00; merchandise, $8,000.00; factory property worth $15,000.00, subject to a mortgage of $10,000.00.

Make a journal entry that will change his accounts from single to double entry. You are to use the ledger containing the above mentioned accounts.

Problem 4

Messrs. Doe and Roe are in business, sharing gains and losses equally.

Required, a statement showing gains and losses by both the resource and liability method and the loss and gain method, and also the net capital of each partner, on the basis of the following trial balance of their double entry ledger at the close of the fiscal year.

Doe's investment	....	$8,405.26
Roe's investment	....	8,405.28
Cash	$9,017.33	......
Merchandise	3,424.~~00~~ 89	......
Bills receivable	12,000.00	......
Bills payable	......	8,350.00
Expense	576.00	......
Interest 139.74	139.74	......
Loss and gain	250.00	......
Accounts receivable	3,556.00	......
Accounts payable	......	3,803.42
	$28,963.96	$28,963.96

INVENTORY 8,000.00

Problem 5

From the following trial balance prepare Profit and Loss Account and Balance Sheet:

Cash	$12,300.00	....
Notes receivable	32,700.00	....
Accounts receivable	47,000.00	....
Merchandise inventory	3,650.00	....
Furniture and fixtures	3,000.00	....
Buildings	13,000.00	....
Real estate	50,000.00	....
Notes payable	....	$30,000.00
Accounts payable	....	13,100.00
Purchases	84,000.00	....
Sales	....	152,000.00
Advertising	2,600.00	....
Commissions	3,050.00	....
General expense	12,900.00	....
Office salaries	9,300.00	....
Insurance (1 year)	625.00	....
Cash discount	375.00	....
Interest	175.00	....
Discount and allowances	....	550.00
Exchange	25.00	....
Postage	1,650.00	....
J. Smith drawing a/c	2,400.00	....
F. Roberts drawing a/c	1,900.00	....
J. Smith capital a/c	....	50,000.00
F. Roberts capital a/c	....	35,000.00
	$280,650.00	$280,650.00

NOTATIONS:

Inventory on hand, $5,365.00.
Unexpired insurance, 4 months.
Unconsumed advertising, $165.00
Office salaries due, $240.00.
Division of profits: Smith 5/8, Roberts 3/8.

Problem 6

T. F. Fynes and W. J. Altherr are partners in business, sharing equally in gains and losses. Their books have been kept by single entry, but they desire to change them to the double entry method. The following is an abstract of their affairs at this date:

Assets and liabilities per ledger: T. F. Fynes, investment $12,500.00, withdrawals $2,500.00. W. J. Altherr, investment $12,500.00, withdrawals $2,000.00. Sundry accounts receivable $8,500.00, sundry accounts payable $6,000.00, Other assets and liabilities not in ledger: merchandise per inventory $18,000.00, cash in bank $5,500.00, bills receivable $2,300.00, bills payable $2,000.00, bank stock $2,000.00, real estate $5,000.00.

Determine the amount of gain and loss of each partner at this date and formulate a journal entry that will convert the single entry ledger to a double entry ledger.

Problem 7

The following balances appearing on the books of James Watt, Broker, represent the condition of the business for the six months ended June 30, 1902. Prepare from these: Trial Balance, Profit and Loss Account and Balance Sheet.

Cash in hand	$50.32
Cash in bank	3,382.57
Bills receivable	3,082.46
Furniture and fixtures	405.66
Drawings	2,000.00
Expenses: New York office	1,881.09
Branch office	1,220.55
General	276.76
Bills payable	650.95
Discounts received	4,412.11
Discounts allowed	2,620.26
Purchases	127,821.21
Sales	133,361.70
Debtors	10,451.94
Creditors	4,131.56
Reserve for bad debts	1,725.98
Capital %, January 1, 1902	8,910.52

Problem 8

The American Grain Exporting Company, a corporation organized with a capital of $200,000.00, divided into 1,000 shares preferred stock and 1,000 shares common stock, par value $100.00 each, 6% dividends payable upon preferred stock before any dividends are declared upon common stock.

John Adams, a capitalist, contemplates purchasing the stock of the company which has been offered to him at $60.00 per share for the preferred and $40.00 for the common.

You are requested to audit the books of the company and give your opinion as to the value of the stock. You find the following accounts to be correct, covering a period of one year.

Plant and machinery...		$75,000.00	Mortgage on plant.....	25,000.00
Accounts receivable			Surplus...............	18,500.00
Good......	$15,000.00	......	Accounts payable......	42,000.00
Doubtful.	4,000.00	......	Sales.................	260,400.00
Bad......	6,000.00	$25,000.00	Capital...............	200,000.00
Cash..................		$ 900.00		
Goodwill..............		50,000.00		
Expense...............		3,000.00		
Furniture and fixtures...		2,000.00		
Wages.................		15,000.00		
Purchases.............		325,000.00		
Ordinary repairs.......		9,000.00		
Horses, wagon and harness............		4,000.00		
Claims and allowances.		8,000.00		
Inventory.............		29,000.00		
		$545,900.000		$545,900.00

Inventory $129,000.00. The company started business six years ago and built the plant and machinery and purchased the property pertaining to the fixed capital. Draw up a statement showing the profit and loss account and a balance sheet.

Promlem 9

X, a trader, commences business October 1, 1902, with a capital consisting of cash $100,000.00; land and buildings worth $80,000.00, subject to a mortgage of $30,000.00.

An abstract of his books October 1, 1903, discloses the following accounts: purchases, $75,000.00; sales, $90,000.00; cash expenses, $15,000.00; cash drawings, $8,000.00; profit and loss debit, $5,000.00; sinking fund, $5,000.00; goods returned to creditors, $4,000.00; returned sales $3,000.00; contingent fund, $2,000.00; reserve for bad debts $5,500.00; due sundry creditors, $61,000.00, sundry customers, $34,480.00; discounts allowed customers on accounts paid, $520.00; no goods were sold to creditors or purchased from customers.

Inventory October 1, 1903, $7,000.00. Interest on mortgage 6%. Supply the two missing accounts, and furnish a profit and loss account and a balance sheet.

Problem 10

From the following accounts, taken December 31, 1901, from the books of Messrs. Hammond & Hussey, prepare a trading profit and loss account and balance sheet. Allow 5% interest on the capital of each partner; write off 4% depreciation from plant and machinery, 2½% discount from debtors and carry $1,100.00 to reserve for bad debts. In accordance with the deed of partnership Mr. Hammond is entitled to 65% and Mr. Hussey to 35% of the net profits. The stock at December 31, 1901 is $14,600.00.

Mr. Hammond, capital	......	$27,650.00
Mr. Hussey, capital	......	11,350.00
Plant and machinery	$15,750.00	......
Inventory: Stock on hand January 1, 1901	11,500.00	......
Loose tools	2,950.00	......
Purchases	66,000.00	......
Horses, carts, etc	600.00	......
Profit and loss % (credit)	......	1,425.00
Debtors	24,000.00	......
Creditors	......	7,550.00
Sales	......	97,300.00
Wages (productive)	7,250.00	......
Salaries and wages (staff)	3,400.00	......
Stable expenses	575.00	......
Rent, rates and taxes	2,550.00	......
Discounts lost	1,550.00	......
Bank	4,250.00	......
Bills payable	......	3,250.00
Bills receivable	9,000.00	......
Cash in hand	150.00	......
	$148,525.00	$148,525.00

Problem 11

A, B and C enter into partnership January 1, 1900. A contributes $8,500.00, B $5,500.00, and C $4,500.00. The profits and losses are to be divided in the same proportion. December 31, 1900, the partners agree that before dividing profits and losses there shall be charged as an expense of the business and placed to their individual credit, salaries as follows: A $800.00, B $700.00, C $600.00.

December 31, 1900, the trial balance of their books showed the following:

Capital A	......	$8,500.00
Capital B	......	5,500.00
Capital C	......	4,500.00
Cash	$1,900.48	......
Inventory January 1, 1900	11,550.00	......
Purchases	51,666.70	......
Sales	......	25,650.80
Plant and fixtures	2,068.92	......
Book accounts receivable including consignments	20,745.83	......
Consignments	......	33,822.70
Trade creditors	......	14,855.66
Loan %	......	6,250.00
Loan interest	......	125.00
Salaries	1,257.00	......
Wages	2,025.00	......
Trade expenses	1,052.65	......
Interest and discounts	1,273.45	......
Losses on exchange	2,108.00	......
Commissions	......	3,510.20
Drawings including salary A	2,750.25	......
Drawings including salary B	2,345.65	......
Drawings including salary C	1,970.43	......
	$102,714.36	$102,714.36

Their inventory of stock on hand December 31, 1900, amounted to $11,337.50; unexpired insurance premiums $91.00; December 31, 1900, $300.00 was paid for January (1901) rent in advance.

Prepare a trading account (cost against proceeds), a profit and loss account and a balance sheet; also partners' capital accounts as of December 31, 1900, allowing 6% interest on capital and reserving 2½% for losses on consignments.

Problem 12

From the following balances form a trial balance, a profit and loss account and a balance sheet: cash $10,000.00; notes payable $4,000.00; drawing accounts $900.00; trade discounts gained $40.00; real estate $16,000.00; capital $14,540.00; petty cash $100.00; sales $22,000.00; accounts receivable $3,000.00; loans $2,000.00; notes receivable $6,000.00; accounts payable $2,000.00; purchases $15,000.00; mortgage on real estate $8,000.00; expense $1,500.00; discounts on sales $80.00.

From the above figures write off 5% on customers' accounts for bad debts, 5% discount lost, unexpired insurance $100.00, inventory $4,000.00, and provide a surplus reserve of $3,000.00.

Problem 13

S., and T., began business August 1, 1899, S., investing $8,000.00 and T., $5,000.00; gains and losses to be shared equally and no interest allowed on investment or charged on withdrawals.

The firm dissolves May 1, 1900. The books had been kept in a hap-hazard fashion, but the partners agreed to the following statement which was submitted for settlement: net debit of S., $2,100.00; net credit of T., $3,500.00; cash on hand, $3,400.00; 10 shares of bank stock (market value $1,100.00); expense debit, $5,100.00; profit and loss debit $3,000.00; credit, $500.00. The bank holds the firm's note for $2,000.00 on which there is accrued interest, $60.00.

Prepare a statement showing the settlement of the partnership affairs of the firm.

Problem 14

From the following trial balance of the Excelsior Ribbon Co., prepare income and profit and loss accounts for the six months ending June 30, 1902, and balance sheet for that date:

Capital stock		
Preferred stock 250 shares at $100.00	......	$25,000.00
Common stock 300 shares at $100.00	......	30,000.00
Machinery	$24,500.00	......
Inventory, Dec. 31, 1901	78,620.15	......
Accounts receivable	63,428.30	......
Materials purchased:		
Silk (raw, spun and thrown)	124,326.80	......
Ribbons, paper, boxes, labels, etc	3,728.05	......
Labor:		
Weaving	29,384.07	......
Throwing	10,976.25	......
Dyeing	8,563.43	......
Warping, winding, etc	15,721.18	......
Fixing and preparing looms	1,270.60	......
Sales of ribbons, net	......	265,123.74
Sales, miscellaneous	......	2,507.26
Discount on purchases	......	120.56
Profit and loss—surplus—December 31, 1901	......	23,528.74
General expenses:		
Salaries, officers and clerks	5,238.75	......
Engineers, etc	2,068.17	......
Rent of mill	2,500.00	......
Commissions	17,856.50	......
Fuel, lighting, etc	2,370.60	......
Other expenses (including insurance $285)	7,650.39	......
Bills payable	......	57,235.95
Interest on bills payable	1,586.36	......
Accounts payable	......	6,875.95
Cash in bank	9,876.25	......
Cash in safe	726.35	......
	$410,392.20	$410,392.20

In your statements provide for the following: dividends declared at the rate of 3½% on preferred stock and 3% on common stock; depreciation on machinery, 15%; prepaid insurance, $48.25; labor accrued but not due (estimated), $1.850.00; taxes accrued, but not due (estimated) $250.50; inventory, June 30, 1902, $96,385.50.

Problem 15

The trial balance of a manufacturing firm, taken at December 31, was as follows:

Plant and machinery...	$7,000.00	Capital A..............	$8,000.00
Purchases.............	7,600.00	Capital B..............	4,000.00
Inventory January 1...	3,000.00	Sales..................	19,000.00
Wages.................	4,800.00	Bank...................	1,000.00
Salaries..............	1,200.00	Creditors..............	800.00
Expense, traveling......	500.00	Rent of steam power ..	300.00
Interest...............	120.00		
Stationery and printing.	240.00		
Rents and taxes........	700.00		
Discounts and allowances...............	250.00		
Fuel..................	600.00		
Insurance.............	230.00		
Freight................	300.00		
General expense........	120.00		
Accounts receivable....	5,000.00		
Cash on hand..........	40.00		
Loan %..............	1,400.00		
	$33,100.00		$33,100.00

Stock on hand December 31, $5,000.00, credit capital with interest at 5%. Write off 3% for discounts; 10% on machinery and plant; unexpired insurance $40.00. Net profits to be divided: two-thirds to A and one-third to B. Draft journal entries for closing the books, and prepare trading account and profit and loss account, together with final balance sheet.

Problem 16

The ledger of Jenkins & Brown at the end of the fiscal year showed the following balances:

H. Jenkins		......	$18,950.00
A. Brown		......	18,950.00
Cash		$3,000.00	......
Bills receivable		750.00	......
Book accounts receivable		18,000.00	......
Inventory			
Raw materials	$8,000.00	......	......
Labor	12,000.00	......	......
Manufactured goods	6,500.00	......	......
		26,500.00	
Accounts payable		......	2,350.00
Bills payable		......	8,000.00
		$48,250.00	$48,250.00

Pursuant to agreement each partner had drawn $2,800.00 as salary which had been charged as an expense to the business. The profits and losses were then divided equally. The results for the period just ended showed a net loss of $2,500.00 which the partners were unable to understand in view of the fact that they had done a business of $100,000.00, and according to their cost calculation this should have produced a profit over and above their salaries. An accountant was called in to explain the unaccountable loss. An analysis of the merchandise and profit and loss accounts (into one or the other of which the nominal accounts had all been closed) showed the following summary:

Inventory at commencement of period:		
Raw material	$9,000.00	......
Labor	13,000.00	......
Manufactured goods	22,000.00	......
Purchases during period	......	$20,000.00
Labor	......	35,000.00
Wages	......	4,000.00
Traveling expenses, commission, etc	......	10,500.00
Salaries	......	2,000.00
Rent	......	1,500.00
Bad debts	......	2,550.00
Sundry depreciation	......	600.00
Discounts and interest	......	250.00
Gross sales	......	100,000.00
Return sales	......	3,000.00

An inspection of their costing book showed the following consumption:

Material	$18,000.00	......
Labor	32,000.00	......

Prepare accounts that will give expression to their transaction and thereby indicate any discrepancy that the above figures may reveal.

Problem 17

Jones and Johnson are partners in business. Jones invests $27,000.00 and Johnson $18,000.00, and they agree to divide profits in proportion to their investments. At the end of the year their accounts show as follows: incidental expenses (including bad debts) $2,400.00; cash on hand, $50.00; salesmen's salaries, $12,000.00; cash in bank, $1,200.00; accounts payable, $7,416.92; bills receivable, $2,650.00; taxes, $950.00; Jones's drawing account $4,751.10; real estate, $6,000.00; merchandise (inventory) $34,000.00; wages of office employes, $3,275.00; Johnson's drawing account, $3,631.11; bills payable, $5,600.00; Commercial Cable Company's stock, $5,000.00; balance in trading account (being gross profit) $38,743.21; accounts receivable (bad accounts excluded), $20,975.82; freights, $243.00; discounts on purchases, $1,125.90; discounts lost, $760.00. Make out a profit and loss statement and after dividing the profits according to the agreement, prepare a balance sheet showing the capital of each partner at the close of the year.

Problem 18

A., and B., of Colorado engaged as equal partners in a stock raising enterprise with a capital of $10,000.00 each contributing one-half.

A., received a salary of $200.00 per month.

At the end of three years they decided to terminate the business, and B., who handled all the money of the co-partnership and kept the books, reported the following receipts and payments:

Receipts		Payments	
A's investment........	$5,000.00	Purchases of cattle	$57,000.00
B's investment........	5,000.00	Loans repaid..........	14,000.00
Sales of cattle	80,359.00	A's salary............	4,200.00
Loans................	15,000.00	Interest..............	1,000.00
		Expenses.............	9,000.00
		A's withdrawals	[illegible],200.00
		B's withdrawals	1,800.00

A round-up and branding of the herd showed the following inventory: 30 heifers at $20.00; 38 steers at $30.00; 75 cows at $20.00; 10 bulls at $60.00; 75 yearlings at $12.00; 100 calves at $8.00. There remained with the bankers a balance of $15,150.00 and other assets were as follows: horses, $800.00; tools, etc., $100.00; supplies, $150.00; accounts receivable, $750.00. The firm owed the following bills: branding irons, $40.00; salt, $100.00; loan at the bank, $1,000; unpaid wages, $260.00. You are required to prepare such statements as are necessary to show (a) the financial condition of the co-partnership at its termination, (b) the results of the three years' operation, (c) the interest of each partner.

Problem 19

A., B., and C., constitute a firm engaged in a manufacturing business which they have decided to change into a stock company with a capital of $100,000.00, equally divided into common and preferred stock, par value of each share $100.00. Each partner is to take stock to the amount of his net investment in the business, on the basis of 75% preferred and 25% common stock and the remaining shares authorized are to be offered for sale.

On the taking over of the business the books of the company show assets as follows: real estate, $25,000.00; machinery and tools, $10,000.00; merchandise, $15,000.00; materials and supplies, $8,000.00; cash, $5,000.00; notes receivable, $3,000.00; accounts receivable, $9,000.00. The liabilities are: notes payable, $10,000.00; accounts payable, $5,000,00; A., $25,000.00; B., $20,000.00, and C., $15,000.00.

Formulate the necessary entries to close the books of the firm and to open the corporation ledger.

Problem 20

The balance sheet of a joint stock company, January 1, 1897, shows the following state of affairs:

Capital stock	$200,000.00	Real estate............	$50,000.00
Creditors' open accounts	16,000.00	Plant and machinery...	85,000.00
Bills payable..........	30,000.00	Horses and wagons.....	15,000.00
Profit and loss account	30,500.00	Patents and goodwill .	20,500.00
		Inventory.............	49,000.00
		Accounts receivable....	35,000.00
		Cash in bank	22,000.00
	$276,500.00		$276,500.00

A year later, January 1, 1898, after an audit of the books and accounts, the balance sheet stands as follows:

Capital stock..........		$200,000.00	Real estate............		$52,000.00
Creditors' open accounts		17,000.00	Plant and machinery Jan. 1, 1897.......	$85,000	......
Mortgage.............		25,000.00	Less depreciation.....	8,500	76,500.00
Profit and loss % Bal. last year	$30,500	......	Horses and wagons: Bal. Jan. 1, 1897.......	$15,000	......
Profit this year.......	2~~5~~3,400	$53,900.00	Less depreciation.....	2,250	$12,750.00
			Patents and goodwill...		20,500.00
			Inventory.............		65,000.00
			Accounts receivable....		33,000.00
			Agency investments....		15,000.00
			Cash in bank		21,150.00
		$295,900.00			$295,900.00

From the foregoing it will be seen that for the year a net profit of $23,400.00 has been earned, while the accounts receivable are smaller, and the cash balance on hand is less than at the beginning of the year, though no dividend has in the meantime been paid. Prepare account showing what has become of the profits earned.

Problem 21

A company having assets consisting of real estate, $50,000.00; plant and machinery, $75,000.00; book debts, $36,000.00; stock on hand, $42,000.00, and liabilities consisting of bills payable, $16,000.00, transfers its business January 1, 1898, to a joint company for $75,000.00 in bonds, $75,000.00 in preferred stock and $75,000.00 in common stock. Make the necessary opening entries for the above, and show how the ledger accounts would stand.

Problem 22

A corporation is organized to conduct a manufacturing business with a declared capital of $2,000,000.00 divided into 20,000 shares of the par value of $100.00, of which 35,000 shares or $1,500,000.00 shall be preferred stock and 5,000 shares or $500,000.00 common stock. The corporation purposes to issue $500,000.00 in consolidated mortgage bonds to be used toward the purchase of sundry properties. The amount of capital with which the corporation begins business is $50,000.00, being the proceeds of subscription of 500 shares preferred stock.

To carry out the purposes of said corporation, the real estate, water-power, machinery, goodwill, etc., of certain existing corporations have been purchased at an appraised valuation of $2,000,000.00, viz., Diamond Mfg. Co., $200,000.00; Eureka Mfg. Co., $300,000.00; Champion Mfg. Co., $500,000.00; American Mfg. Co., $600,000.00; Aetna Mfg. Co., $400,000.00, and in payment full paid stock and bonds have been issued at par on a basis of 60% in preferred stock, 20% in common stock, and 20% in bonds.

Materials and supplies are to be paid for in cash when their value is determined.

Formulate the entry necessary to open the books of the new corporation.

Problem 23

Walter Hopkins, while perfectly solvent and doing a profitable manufacturing business had so tied up his capital in plant and materials that he was unable to pay his debts, and was on the point of suspending for want of funds to pay for labor, and his creditors were preparing to commence legal procedure to enforce a settlement. The condition of his affairs at this time was as follows:

BALANCE SHEET

Assets		Liabilities	
Plant	$25,198.00	Creditors'	$20,230.00
Cash	212.00	Capital	50,000.00
Materials, raw and partly finished	40,400.00	Surplus	4,900.00
Finished goods	6,070.00		
Accounts receivable	3,250.00		
	$75,130.00		$75,130.00

At a meeting of creditors he said that while his plant was entirely efficient, it was all of special character and would realize on forced sale only the value of scrap, that the unfinished goods would require the employment of skill and processes known only to him, and that while forced suspension would yield his creditors not over 50%, it would ruin him absolutely.

The creditors decided to advance him a loan of $5,000.00 to continue operations and allow him additional credit for materials and expenses. A trustee was appointed to see that the proceeds were solely for the recuperation of the business.

The subsequent operations under the supervision of the trustee were as follows:

Purchases on book account, charged to materials, $5,100.00; to expenses, $12,100.00; sales on book account, $57,802.00; losses on bad debts, $300.00; cash receipts (loan from creditors), $5,000.00; settlement from debtors, $68,100.00; cash payments for labor, $12,500.00; for expense, $4,350.00; for plant, $600.00. Creditors, $42,030.00; Walter Hopkins personal drawings, $3,000.00.

There remained raw materials, $4,000.00; finished goods, $22,388.00.

Prepare (*a*) realization and liquidation accounts, (*b*) trustee's cash account, (*c*) balance sheet of the estate as restored to Walter Hopkins.

Problem 24

A B., a commission merchant, doing business on a 5% basis hands you the following abstract of his ledger, showing his transactions for the year. Furnish A. B.'s capital account showing his original investment, a balance sheet and a detailed cash account.

Sales	$45,000,00	$60,000,00
Freight	2,100.00	1,400.00
Claims and allowances on settled % only	600.00	1,500.00
Expense	900.00	......
Customers' accounts	60,000.00	45,000.00
Creditors' accounts	37,950.00	39,850.00
Cash	59,000.00	40,950.00
Discounts lost	400.00	......

Problem 25

A. Burt, a contractor, is constructing two houses. He has paid for labor: masons, \$20,000.00; carpenters, \$15,000.00; ordinary labor, \$6,000.00; superintendent, \$2,600.00; for materials, brick, cement and lime, \$25,000.00; timber, flooring and trim, \$10,000.00.

The superintendent (who had charge of both contracts) reports for contract No. 1: mason's labor, \$8,000.00; carpenter's, \$7,000.00; sundry labor, \$2,500.00; brick, \$10,000.00; cement and lime, \$1,000.00; hard pine flooring, \$1,500.00; trim, \$2,000.00; hardware, nails, etc., \$400.00.

The number of day's labor amounted to 5,200 days on both contracts, (2,500 days on No. 1; 2,700 days on No. 2) upon which basis the establishment charges are to be apportioned. Open an analytical ledger and allocate the items. Raise the operating account in the ledger.

Problem 26

On December 31, 1886, the balance sheet of a corporation showed the following assets and liabilities:

Real estate	$55,000.00	Capital stock	$200,000.00
Plant	95,000.00	Creditors' accounts	20,000.00
Accounts receivable	45,500.00	Bills payable	26,000.00
Inventory	59,000.00	Profit and loss	20,500.00
Cash on hand	12,000.00		

On December 31, 1887, one year later, the balance sheet showed the following:

Real estate	$57,000.00	Capital stock	$200,000.00
Plant	85,500.00	Creditors' accounts	22,000.00
Accounts receivable	43,500.00	Mortgage	20,000.00
Inventory	73,750.00	Profit and loss	38,900.00
Cash on hand	11,150.00		
Other investments	10,000.00		

Prepare tabulations showing what has become of the profits.

Problem 27

A is the owner of a business with property valued as follows:

Real estate and buildings	$100,000.00
Machinery and tools	79,000.00
Stock in trade	93,500.00

A., B., C., D., and E., organize a corporation (F) with an authorized capital of $350,000.00, divided into 3,500 shares of $100.00 each, under the following conditions:

A., received 2,725 fully-paid shares for his property as above.

B., subscribes for 100 shares.
C., subscribes for 100 shares.
D., subscribes for 100 shares.
E., subscribes for 125 shares.

100 shares are placed in the treasury for future disposition, and 50 shares of fully-paid stock are given to each incorporator for the cash payment of 10% of par value, in consideration of services in the organization of the company. Each incorporator then donates 30 shares to the company for sale to provide working capital.

Draft the necessary opening entries for Corporation F, giving effect to the above transactions, and prepare resulting trial balance.

Problem 28

A., B., and C., agree to purchase and sell coffee for their joint account. They purchase 3,000 bags of coffee for $58,500.00, and one month thereafter sell the same at 16 cents per lb., (say 130 lbs. to the bag). The warehouse charges, labor, cartage, weighing, brokerage, etc. amount to $600.00.

A., contributes cash		......	$20,000.00
B., contributes note at 4 months	$19,000.00	......	......
Discount at 6% on same	?	......	?
C., contributes cash		$18,900.00	......
C., contributes note at 3 months	$2,500.00	......	......
Discount at 6% on same	?	?	?
			$59,982.50

It was arranged that each should contribute equally to the requisite purchase money, in default of which, interest at 6% per annum for the month covering the transaction was to be calculated so as to equalize their respective contributions.

Prepare an account of the venture; also separate accounts of A., B., and C., showing the share of each in the final net proceeds.

Problem 29

The Fox & Dix Company, a close corporation, became embarrassed through the failure of a friendly company to whom they had given their accommodation paper and a trustee was appointed February 1, 1906, to take charge of their affairs for the benefit of their creditors.

The condition of the estate when the trustee took charge was as follows:

LIABILITIES

Mortgage on real estate, maturing Feb. 1, 1907	$15,000.00
Interest, due February 1, 1906, 6 months at 5%	375.00
Taxes due	210.00
Book accounts payable	3,900.00
Bills payable (including accommodation paper $56,000.00)	57,400.00
Capital stock	40,000.00
Surplus per profit and loss %	3,987.00
	$120,872.00

ASSETS

Cash on hand and in bank	$650.00
Merchandise (stock of goods)	25,310.00
Book debts (including accommodation account $56,000.00)	60,800.00
Bills receivable	4,112.00
Real estate	30,000.00
	$120,872.00

In order to complete contracts and so realize to the best advantage on the goods in stock the trustee purchased merchandise to the amount of $50,000.00 and during the year collected $100,000.00 cash from sales.

The accommodation account was settled for 60%, the other book debts realized $4,100.00 and the bills receivable, $3,600.00. Balance lost.

The accommodation paper was settled by paying $40,000.00 cash and renewing $16,000.00, entailing legal fees, interest and petty expenses of $2,200.00.

The other bills payable, the accounts payable, taxes and interest on mortgage for 18 months, were paid in course of settlement, and the principal of the mortgage was paid off at maturity.

The running expenses were as follows: clerk hire, $1,500.00; office expenses, $1,000.00; allowances to officers, $3,000.00; trustees' commissions, $3,000.00.

On February 1, 1907, the trustee surrendered charge of the company's offices and paid over the cash balance in his hands. On said date there were also uncollected book debts, $2,000.00 and merchandise stock, $8,000.00.

Prepare a realization and liquidation account, a trustee's cash account, and a balance sheet of the estate at termination of trust.

Problem 30

The Montauk Manufacturing Company becomes insolvent and the receiver appointed to wind up its affairs has a balance sheet prepared from the books which shows the following values:

BALANCE SHEET, JULY 2, 1906

MONTAUK MANUFACTURING COMPANY

ASSETS			LIABILITIES	
Cash		$1,402.00	Bills payable	$30,000.00
Bills receivable	$2,108	......	Accounts payable	65,460.00
Accounts receivable	19,740		Interest on bonds due July 2, 1906	2,700.00
		$21,848.00	Bonds, issued for factory site and building	90,000.00
Raw material	$16,200	......	Taxes, wages, etc. due	2,500.00
Partly manufactured goods	5,400	......		
Finished wares	13,900	......		
Consumable supplies	300			
		$35,800.00		
Factory site and buildings		$90,000.00		
Machinery	$50,000	......		
Tools and appliances	7,000	......		
Boats	8,000	......		
Horses & trucks	4,000	......		
Office fixtures	600	$69,600.00		
		$218,650.00		$190,660.00
Deficiency losses		72,010.00	Capital stock	100,000.00
		$290,660.00		$290,660.00

The machinery, boats, and horses and trucks, are pledged on chattel mortgage to secure creditors to the amount of $45,000.00, $6,000.00 and $3,000.00 respectively.

The mortgagees of the machinery agree to purchase it for $30,000 and the other mortgagees agree to take over the chattels in full satisfaction, which offers are believed to exceed what the securities would realize on forced sale.

It is estimated that raw materials, partly made, and finished wares can be sold for $29,000.00, while the consumable supplies are not in marketable quantities, that the tools and appliances will bring $4,000.00 and the office furniture $500.00. The bills receivable are all good but $1,640.00 of book debts are uncollectable. Customers' notes to the amount of $7,000.00 have been discounted and the maker of one of said notes for $340.00 has failed.

Prepare a statement of affairs and a deficiency account.

PART II.

Theory of Accounts

I

John Smith of New York sold on December 15, 1907 to F. McDonald of Buffalo, a quantity of merchandise, amounting to $5,432.89, and received in payment a note dated November 12, 1907, given by B. Roberts in favor of McDonald at four months for $4,000.00 with 5% interest, less 6% discount for unexpired time, and a check for the balance. Smith discounted this note at his bank on the 3d of January receiving proceeds less 6% discount in cash. At maturity the note is not paid by Roberts and is protested by the bank and Smith pays the amount and protest charges $1.75 in cash. Two days after the protesting, McDonald remits for the note and also for the protest charges. Make all necessary entries in the books of Smith and McDonald.

II

A firm is in the habit of discounting all notes received by it; state how you would arrange to show the contingent liability on the notes discounted at the bank but which are not yet due.

III

State the points of difference between a statement of receipts and disbursements and a statement of revenues and expenses.

IV

Define current assets and current liabilities and mention five items under each class.

V

In closing a set of books state how you would treat the following on ledger and financial statement:

Depreciation on machinery	$1,500.00
Expenses prepaid	500.00
Discount on customers' accounts, 3%	1,080.00
Salaries and wages accrued	675.00

VI

A mining corporation has assets comprising, among others, leases, good-will, rent and royalties, paid in advance, and patents. How would you deal with them in the balance sheet and profit and loss account.

VII

What method should be pursued in adjusting interest on capital, among partners whose investments differ in amount? Give reasons for such book entries as you would recommend in the premises.

Smith & Company draw on Jones & Company for an account of \$1,500.00 allowing 1% discount. At maturity the acceptors borrow from the drawers \$500.00 to assist them in meeting the draft, which is, however, finally allowed to be returned. Jones & Company repay \$300.00 of the loan of \$500.00.

Show the ledger account in the books of Smith & Company after the transactions are complete.

IX

State concisely the principles of single entry and of double entry bookkeeping.

X

After closing your books of original entry for the month and posting the entries to the ledgers, you find that you have entered a payment made to A B., in the column headed Merchandise Purchased for Cash, which should have been entered in Accounts Payable, the proper column. What would you do to correct the error.

XI

The following accounts are found in the books of a corporation; state which of them would enter into the profit and loss account and balance sheet and which would show debit and credit balances; reserve funds, depreciation on furniture, bad debt reserve, bond redemption account, bills receivable, rents of properties owned, dividend on preferred stock.

XII

What should be done regarding the books on the admission of a new partner into a firm? What entry should be made (a) when cash is invested for a certain share in the gains and losses (b) when a specified amount is paid to the old members for a certain share in the gains and losses?

XIII

Under what circumstances is a patent regarded as an asset? After a patent has been valued, should such value be considered as permanent? Give reasons for your answer.

XIV

How may the gross profit or loss on merchandise be ascertained?

XV

Describe the profit and loss account. Show how this account is made up and from what accounts it is made. What does the balance of the profit and loss account represent, and how should such balance be finally treated?

XVI

Describe fully each of the following accounts, showing what entries may be made on each side and what disposition should be made of the balance: (a) cash account, (b) interest accounts, (c) merchandise accounts, (d) suspense account, (e) real estate account.

XVII

Describe the following securities and show the essential features of each: (a) common stock, (b) preferred stock, (c) income bonds, (d) debenture bonds, (e) mortgage bonds.

XVIII

Describe the different methods of determining the loss or gain of a business. How is the loss or gain of a business determined from books kept by single entry? State the usual mode of procedure when the books are kept by double entry.

XIX

What is the result of a debit entry? Of a credit entry? Illustrate in the case of an account of each of the following classes: (a) personal, (b) real, (c) nominal.

XX

In double entry bookkeeping, why are the debits on the left and the credits on the right.

XXI

Define the following accounting and business terms: floating capital, fixed capital, quick assets, floating liabilities, nominal accounts, passive assets, passive liabilities.

XXII

In making up a business statement or a balance sheet, why are the assets placed as debits and the liabilities as credits? are there any exceptions to this rule?

XXIII

Define and differentiate reserve fund, sinking fund, depreciation, surplus. Classify the foregoing as assets or liabilities and give reasons in each case. Explain the meaning of an item in suspense.

XXIV

What is a stock (or shares) ledger? Explain the nature of its records, describe the manner in which they are made. What relation does this book bear to the general books of the corporation?

XXV

What is meant by good-will? What kind of property is good-will? May the good-will of a partnership be sold?

XXVI

Of $300,000.00 authorized capital (common stock) $260,000.00 has been subscribed. $80,000.00 was paid in cash and $100,000.00 in property. The remainder is to be in cash in five equal instalments. The first instalment has been called and collected. The second instalment has been called but has not yet been collected. Make original entries covering above transactions and prepare ledger accounts.

XXVII

What is a dividend? State when and how dividends become effective. State how the declaration and payment of dividends are usually recorded in books of account.

XXVIII

State circumstances under which it is proper to debit or credit "Surplus" account.

XXIX

Into what general classes should ledger accounts be divided? State the distinguishing feature of each class. Mention one account belonging to each class.

XXX

Give a rule for adjusting partners' accounts (a) when the gains or losses are to be divided in proportion to each partner's investment and the time it remains in use, (b) when the proportion of gain or loss is fixed and interest is calculated on excess or deficit of capital.

XXXI

What class of expenditures should be treated as assets at the close of a fiscal period?

XXXII

How do the accounts of a corporation and of a co-partnership differ in the statement of (a) investment, (b) operation of business and determination of profits, (c) division and distribution of profits?

XXXIII

Under what circumstances and for what purposes is a statement of affairs required? What facts should be made clear in such a statement? What conclusion is shown in the final balance?

XXXIV

Describe the various methods which you have met with for writing off the premium on bonds purchased, pointing out their weaknesses or advantages. What is the most scientific method of dealing with premiums paid and upon what principle is it based?

XXXV

What should be the procedure in stating the value of stock on hand at the time of a fire, the financial books being intact and showing the amount of an inventory taken four months previous to the fire?

XXXVI

Outline entries necessary to record on the books of the consignee all the transactions incident to a consignment.

XXXVII

Write from memory the form of a bond coupon. For what purpose are such coupons employed and how are they used? Describe a plan for the care of paid coupons and give reasons for the use of such a plan.

XXXVIII

In determining who are entitled to participate in dividends of a corporation, what general rule governs? To what dividends is a purchaser of shares entitled?

XXXIX

A wholesale fruit concern transacts both a commission and a general business. They sell their own and consigned goods in the same invoice. Give the form of a sales book, providing for the separation of such sales —consigned and general.

XL

In case a manufacturing company having purchased a large stock of materials during the year at low prices, but at the time of annual inventory, values had increased, how in your opinion should the inventory be valued, at cost or prevailing market price?